

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7115

BILL NUMBER: SB 361

NOTE PREPARED: Feb 2, 2006

BILL AMENDED: Feb 1, 2006

SUBJECT: Operation of License Branches by Contractors.

FIRST AUTHOR: Sen. Ford

BILL STATUS: As Passed Senate

FIRST SPONSOR: Rep. Saunders

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill has the following provisions:

Contract with a Qualified Person: This bill provides that if a qualified person demonstrates to the Bureau of Motor Vehicles Commission (BMVC) that the person can meet the statutory requirements to operate a license branch or to provide partial services, the BMVC shall award a contract to the qualified person to provide license branch services or partial services. The bill adds insurance producers to the list of entities that are "qualified persons".

Statutory Service Charges: The bill provides that a contractor that operates a license branch or provides partial services is not required to collect statutory services charges but may collect and keep any service fees the contractor considers necessary to provide the services.

Transaction Fee: This bill requires a contractor to collect and pay to the Bureau of Motor Vehicles (BMV) a transaction fee that recovers the costs to the state, as determined by the BMV and the State Board of Accounts, to support license branch services.

Cash Bond: The bill provides that the BMVC may not require a contractor to provide a cash bond as the fidelity bond to secure performance of the contract

License Branch Operation: It provides that the BMVC is not required to replace any license branch operated by the BMVC with a license branch operated by a person under a contract.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) *Contract with a Qualified Person:* Qualified persons may be automobile dealers, brokers, insurance producers, and others as defined in statute. The impact on expenditures and revenues associated with any future contracts will depend upon administrative actions.

Over the last three calendar years, the BMVC has averaged about 11.6 million transactions per year. This number includes all types of transactions. It is not known how many of these transactions now would be completed by a qualified contractor, nor is it known how many contractors might desire to provide partial services or operate full-service license branches. Whatever the number of contractors there might be and the number of transactions which might be processed, it will reduce the number of transactions processed and completed by the BMV and the BMVC. (The BMVC operates the state's license branches.) The total long-term impact is not known. However, over time, with contractors providing full- or partial-service license branch services, the work force required by the BMV and the BMVC may be less than current levels.

License Branch Operation: The impact on expenditures and revenues associated with any future contracts will depend upon administrative actions.

Explanation of State Revenues: (Revised) *Statutory Service Charges:* The contractor-operated branches will not be responsible for the collection of statutory service charges as required under IC 9-29-3. The specific impact upon BMVC revenue will depend upon the number of contract-operated branches. In CY 2004, the most recent year for which complete data are available, statutory service charges for the BMVC amounted to approximately \$48.9 M. These funds are deposited into the state License Branch Fund, which supports the operation of the license branches throughout the state.

Transaction Fee: The amount to be paid to the BMV will depend upon the fee established and the number of transactions which occur. The revenue from this fee is to be deposited into the Motor Vehicle Highway Account, which supports the BMV.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission.

Local Agencies Affected:

Information Sources: Jane Morrical, Supervisor of Treasury, Bureau of Motor Vehicles, 317-233-3164; Jeff Brown, Director of Treasury, Bureau of Motor Vehicles, 317-232-4801; BMV data.

Fiscal Analyst: James Sperlik, 317-232-9866.